

memorandum

date May 13, 2010

to Chehalis River Basin Flood Authority

from ESA Adolfson

subject Budget

On May 4, 2010 Governor Gregoire signed the State capital budget for fiscal year 2010-2011 (attached). As you know, the budget language includes tight deadlines and funding constraints. The Flood Authority will need to move quickly to accomplish its work over the next year. ESA Adolfson recommends that the Authority make several critical decisions regarding the budget at the May 20th Authority meeting.

The intent of this memo is to help interpret the budget provisos and make recommendations on which decisions should be made quickly to ensure Authority success over the next year. Also attached is a spreadsheet with detail on the funding available for various Authority efforts.

The bill appropriates money in four subsections. Subsection (1) appropriates money to the State as nonfederal matching funds for the Twin Cities project. The Flood Authority has no control over these funds. The other three sections are:

2. Governance formation
3. Studies
4. Early warning system

ESA Adolfson and staff from Lewis County Community Development (as fiscal agent for the Flood Authority) met with representatives of the Office of Financial Management (OFM) on May 5 to discuss how the budget will be implemented. The budget is a reappropriation for the biennium; the funds must cover expenditures from July 2009 to the present as well as future expenditures through June 2011.

Governance Formation

Subsection (2) of the budget appropriates \$1,200,000 to develop a basin-wide governance and funding mechanism. OFM expects this subsection to include funds spent on staffing (both by local jurisdictions and through the contract with ESA Adolfson) from July 2009 through June 2010. This is a total of \$582,602. This leaves \$617,398 for completing the task of setting up a basin-wide flood district in the next year.

At the February 28, 2010 Flood Authority meeting, the Flood Authority authorized Lewis County to issue an RFQ for a firm to assist the Authority in flood district formation. The Authority also authorized the Board Advisory Committee (BAC) to serve as a selection committee. As reported at the April 15 Flood Authority meeting, one

firm, FCS Group, submitted qualifications. It is the opinion of the BAC and ESA Adolfson that FCS Group is highly qualified. FCS Group has provided a scope of services that has been closely reviewed by the BAC and ESA Adolfson. FCS Group also drafted a detailed budget totaling \$499,343 to complete this scope of work. Review of this scope and budget is agenda item 6 on the May 20 work session agenda, and action on the contract is agenda item 11 on the May 20 business meeting agenda. This leaves \$118,055 in the budget for County staff and/or Flood Authority staff to facilitate local coordination with FCS Group's efforts, something FCS Group has made clear will be needed.

Actions to be Taken

- Act on the proposed contract with FCS Group (item 11 on the May 20 business meeting agenda).
- Set aside remaining budget for Flood Authority staff work.

Studies

Subsection (3) of the budget appropriates \$2,000,000 for studies. OFM expects this subsection funding to also be used for funding of staff support, including facilitation by ESA Adolfson, for July 2010 through June 2011. Funds must cover studies contracted prior to the effective date of the act. These contracts total \$555,000. This leaves \$1,445,000 for the following studies:

- The *coordinated study*. This study would evaluate the feasibility of a combination of the Twin Cities project and retention structures. The estimated cost of this study is \$500,000.
- The *ecosystem services analysis*. This would be a continuation of the Authority's current work with Earth Economics. The estimated cost of this study is \$200,000.
- Participation in the basin-wide *General Investigation*. The estimated cost of this participation is \$6,640.
- A *peer review* of the upstream storage feasibility analysis. The estimated cost of the peer review is \$50,000.
- A *fisheries and environment study* for the proposed upstream storage facilities. The estimated cost of this study is \$900,000.

The Flood Authority will also need to consider the acquisition of *LiDAR digital elevation data*. This could be considered a previously contracted study. The Authority contracted with the Puget Sound LiDAR Consortium to gather LiDAR data this past winter. Due to weather and equipment problems, PSLC has not yet gathered the data, and the study is currently on hold. The cost of this study is approximately \$177,000.

We also estimate a need for \$259,000 in *staff support* for the counties and ESA Adolfson. Discussion of a draft scope of work from ESA Adolfson for July 2010-June 2011 is item 8 on the work session agenda and item 13 on the business meeting agenda for May 20th. A contract will need to be approved at the June 17 Authority meeting to avoid a gap in service.

The total estimated cost of all these studies is \$2,092,640, but the budget is only \$1,445,000. The Flood Authority will need to make decisions about which studies to fund. Since the cost for each study could potentially come in under (or over) the estimate, we recommend the Authority pick a set of priority projects to move forward on at this time. The other efforts can be held in reserve until final budget figures come in for the prioritized studies. For example, the Authority could choose to move forward immediately on the peer review, fisheries study, General Investigation, and staff support. Staff can move forward expeditiously to contract this work and develop final budget figures. The other efforts can be held in reserve until it is known if there is enough funding to pursue them. ESA Adolfson recommends that the Authority select a set of studies to prioritize at the May 20th meeting.

Actions to be Taken

- Discuss prioritization of studies at the May 20th Authority work session (agenda item 3)
- Pass a motion directing staff to move forwards on a set of priority studies at the May 20th Authority business meeting (agenda item 9)

ESA Adolfson's Recommendations

We recommend that the Flood Authority's first set of priority projects should be the peer review, the fisheries study, participation in the General Investigation, and staff support. The peer review and fisheries study both provide necessary information for moving forward on the proposed upstream storage project, the General Investigation project offers a lot of potential for improvements basin-wide, and staff support is necessary to keep the studies and current Flood Authority activities moving forward to meet the tight timelines in the budget.

Using current budget estimates, this set of priority projects is projected to exhaust the budget for studies listed in Subsection (3). If this work comes in under budget, we recommend that the Authority pursue the coordinated study, which provides information about a combination of an upstream storage project and the Twin Cities levee project.

We also recommend that LiDAR data collection be the lowest priority at this point. The data would be valuable in developing a lower-basin hydraulic model. However, there are no funds allotted for the hydraulic model in the supplemental budget. Both LiDAR and the hydraulic model are projects that can be done by a flood district when it is formed.

We do not recommend the Authority move forward with another phase of the Ecosystem Services Analysis being done by Earth Economics.

Any decisions made at the May 20th meeting to not prioritize the coordinated study and LiDAR, for example, would only be preliminary decisions and would not preclude the Flood Authority from pursuing these projects in the future.

Early Warning System

Subsection (4) of the budget appropriates \$300,000 for an early flood warning system. This amount includes the \$64,488 already expended this biennium on the early warning system. This leaves \$235,512 in the budget.

The Flood Authority contracted with West Consulting in October 2009 to develop this project. In March 2010, West presented the findings of their initial needs assessment phase, which accounts for the \$64,488 already spent. ESA Adolfson and the BAC have worked with West to refine a scope and budget for the design and implementation phase of the project. This scope and budget, which comes to \$234,636, is on the May 20th Authority work session agenda for discussion (item 7). It is also on the May 20th business meeting agenda for action (item 12)

Action to be Taken

- Act on the proposed contract with West Consulting (item 12 on the May 20th business meeting agenda)

FOR THE OFFICE OF FINANCIAL MANAGEMENT

Catastrophic Flood Relief (20084850)

The reappropriation in this section is subject to the following conditions and limitations:

- (1) \$1,640,000 of the reappropriation is provided solely for nonfederal matching funds and state agency costs associated with the army corps of engineers flood hazard mitigation projects for the Chehalis river basin.
- (2) \$1,200,000 of the total reappropriation is provided solely for the Chehalis basin flood control authority to develop governance agreements for development, operation, and maintenance of flood hazard mitigation measures throughout the basin. The development of the governance agreements shall include preliminary estimates of local property tax options necessary to support the maintenance and operation of the twin city levy project and tax options necessary to support other possible flood control measures throughout the basin. The agreements must be executed by July 1, 2011.
- (3) (a) \$2,000,000 of the reappropriation is provided solely for the following studies of flood mitigation measures:
 - (i) Studies contracted prior to the effective date of this act;
 - (ii) a study to evaluate the feasibility of a combination of the United States' army corps of engineers twin city project, with other retention structures, and nonstructural flood mitigation measures to be completed by June 30, 2011;
 - (iii) a study to determine how ecosystem services, including nonstructural alternatives, would likely mitigate downstream flooding to be completed by December 2010;
 - (iv) continuation of the general investigation of basin wide flood control measures by the United States' army corps of engineers;
 - (v) an independent peer review of completed geotechnical and hydrological studies of possible upper basin retention structures to be completed by October 2010;
 - vi) a study of the effect of possible retention structures and other flood control measures on fish in the basin to be completed by June 2011, provided that the fish study shall not examine options for retention structures that the peer review in this section determines is not feasible.
- (b) From the effective date of this act and prior to any expenditure on new studies, the Chehalis basin flood authority must submit any new study proposal to the basinwide general investigation project manager of the United States army corps of engineers for review. Based upon the United States army corps of engineers review of the proposal, the Chehalis basin flood authority must develop a proposed scope of work for the study that ensures, to the fullest extent possible, that the study will be eligible for federal work-in-kind credit.
- (c) The Chehalis basin flood authority must:

- (i) In consultation with the department of ecology, select qualified experts to conduct the peer review of geotechnical and hydrological studies; and
 - (ii) consult with the Washington state department of fish and wildlife, the confederated tribes of the Chehalis reservation, and the Lewis county public utility district to develop and agree upon a scope of work for, and select a qualified expert to, conduct the fish study. The peer review must be submitted to the office of financial management before funds are allotted for the fish study.
- (4) \$300,000 of the reappropriation is provided solely for an early flood warning system.
 - (5) It is the intent of the legislature to fulfill the commitment of section 101, chapter 179, Laws of 2008 and chapter 180, Laws of 2008, by appropriating funds when the federal match requirement is needed.

Reappropriation:

State Building Construction Account—State	\$47,351,000	\$5,140,000
Prior Biennia (Expenditures)	\$2,649,000	\$3,450,000
Future Biennia (Projected Costs)	\$0	<u>\$41,410,000</u>
TOTAL		\$50,000,000

FLOOD AUTHORITY BUDGET FOR NEXT YEAR							
				Budgeted	Expended/Contracted	Estimated Cost	Difference
Sec. 1	State match for COE			\$1,640,000		\$1,640,000	\$0
Sec 2	Governance						
		Flood District Formation				\$499,343	
		ESA Adolfson 09-10			\$537,450		
		Administration 09-10			\$45,152		
		ESA Adolfson work on Flood Districts 10-11				\$77,880 *	
		Local Jurisdiction work on Flood Districts 10-11				\$40,175	
		Subtotal		\$1,200,000	\$582,602	\$617,398	\$0
Sec 3	Provisioned for following studies:						
		(i) Contracted studies					
		Phase II A			\$250,000		
		Phase II B			\$230,000		
		Earth Econ			\$75,000		
		(ii) Coord Study				\$500,000	
		(iii) Ecosystem Services				\$200,000	
		(iv) General Investigation (coordination by ESA Adolfson)				\$6,640 *	
		(v) Peer Review by Oct 2010				\$50,000	
		(vi) Phase III (fish) by June 2011				\$900,000	
		ESA Adolfson 10-11				\$214,000 *	
		Administration 10-11				\$45,000	
		LiDAR				\$177,000	
		Subtotal		\$2,000,000	\$555,000	\$2,092,640	-\$647,640
Sec 4	Early Warning System			\$300,000	\$64,488	\$234,636	\$876
	Total			\$5,140,000	\$1,202,090	\$4,584,674	-\$646,764
	* Part of ESA Adolfson's phase 4 contract extension. A detailed draft scope and budget will be presented at the May 20 Flood Authority meeting.						